



Investment Deductions and Abatements

**Combined County/Township
Assessor Conference**

2007

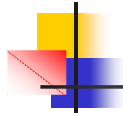
Barry Wood

**Department of Local
Government Finance**



Investment Deductions and Abatements

- Investment Deductions
- Minimum Value Ratio (MVR)
- Investment Deduction FAQ's
- ERA's



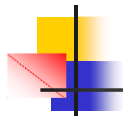
Investment Deductions and Abatements

■ **Investment Deductions:** *Personal Property Investment Deduction*

- Filed with the Personal Property Return
- Three Year Deduction
- 75 % the First year
- 50 % the Second year
- 25 % the Third year

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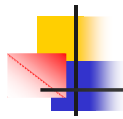


Investment Deductions and Abatements

- Personal property must meet the requirements of IC 6-1.1-12.4-3.
- Personal property owner must claim the investment deduction on a timely filed annual or amended personal property tax return.
- The annual limitation of the investment deduction is two million dollars (\$2,000,000) in assessed value for the assessment year for all eligible personal property and real property separately, owned within the county.

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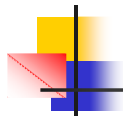


Investment Deductions and Abatements

- An investment deduction is not authorized for
 - Private or commercial golf course
 - Country club
 - Massage parlor
 - Tennis court
 - Skating facility
 - Retail food or beverage service
 - Automobile sales or service

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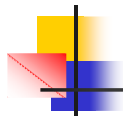


Investment Deductions and Abatements

- Other deductions may not be claimed in conjunction with the investment deduction.
- If the investment deduction has been claimed for an assessment year, all other statutory deductions as set forth in IC 6-1.1-12.4-5 shall not be claimed on the investment.
- A property owner must claim the personal property investment deduction by completing Schedule PPID-1 and attaching that schedule to a timely filed personal property tax return.

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Investment Deductions and Abatements

- This deduction can be used by Businesses, Farms and Utilities.
- Upon receiving a Schedule PPID-1...
 - Identify the personal property eligible for the investment deduction.
- The assessor will report the assessed value before deductions to the County Auditor.
- *The taxpayer must show how the investment will increase assessed value and create jobs or retain employees in the taxing jurisdiction pursuant to the definitions in 50 IAC 22.*

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Investment Deductions and Abatements

Real Property Investment Deduction (RPID):

- Comparable to the limitations and restrictions of the personal property investment deduction.
- The deduction must be filed not later than thirty (30) days after mailing date of notice of assessment (Form 11) showing the new or increased assessment. A copy of the Form 11 must be attached to the application form.
- A separate form must be filed each assessment year the deduction is requested.

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Investment Deductions and Abatements

- This deduction may not be used in conjunction with any abatement or in an allocation area as defined in IC 6-1.1-21.2-3 (TIF district).
- This does not apply to Residential property: unless the facility is:
 - 1) a multifamily facility that contains at least 20% of the units available for low and moderate income individuals;
 - 2) located in an economic development target area established under IC 6-1.1-12.1-7; or
 - 3) designated as a residentially distressed area under IC 6-1.1-12.1-2 (c)(1 & 2)

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Investment Deductions and Abatements

Enterprise Zone Investment Deduction (EZ-2):

- The Enterprise Zone Investment Deduction Application (Form EZ-2) must be filed with the County Auditor between March 1st and May 10th.
- The County Auditor must notify the applicant of their determination by August 15th of the assessment year.
- If the applicant is in disagreement of the Auditor's determination, a complaint must be filed within forty-five (45 days) of the notification in the office of the clerk of the circuit or superior court.
- Required to be filed **each** year a deduction is claimed even if no new equipment is acquired in that assessment year.

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Investment Deductions and Abatements

- **Personal Property With Deductions and 30% Floor Per SEA 260-2005 Memo:**
 - Senate Enrolled Act 260 passed by the 2006 General Assembly had several changes that were retroactive. Effective January 1, 2006 there is a change in the calculation of the assessed value to be abated for certain Economic Revitalization Area abatements and the Investment Deduction. This change came after the completion of the personal property forms. A memorandum discussing the nature of the change and addressing how to implement the change was distributed in May 2006.

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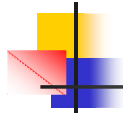


Investment Deductions and Abatements

Effectively this sub-section (IC 6-1.1-12.1-4.5) increases the assessed value to be used for the calculation of the abatement deduction when a taxpayer is subject to the 30% floor. The provision expresses as a ratio, the increase in the entity's true tax value from the pooling schedules compared to the entity's true tax value under the mandated minimum value under 50 IAC 4.2-4-9 (30% floor) or 50 IAC 5.1-6-9 (utility 30% floor). For the purposes of this memorandum, the ratio will be called the minimum value ratio or MVR. For the purpose of calculating the abatement deduction, the assessed value of items that have been assessed by the mandatory minimum value (30% floor) is equal to the true tax value calculated from the pooling percentage multiplied by the MVR.

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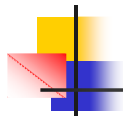
Investment Deductions and Abatements

This sub-section does not apply to equipment installed prior to March 2, 2001 as those abatements deductions are calculated based on the first year true tax value.

- The Investment Deduction (IC 6-1.1-12.4) cross-references to the calculations in IC 6-1.1-12.1 so the 30% floor and the Minimum Value Ratio is applicable to the PPID-1. There is no cross reference in the Enterprise Zone Investment Deduction (IC 6-1.1-45) so the MVR does not apply to the EZ-2 investment deduction.

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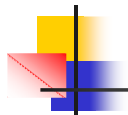
Investment Deductions and Abatements

Investment Deduction – Frequently Asked Questions

- Q1: Does the new capital investment deduction apply to taxpayers in tax increment finance districts?
A: **No. IC 6-1.1-12.4-4 provides that the property owner may not receive a deduction with respect to real or personal property located in an allocation area. Once an allocation area has been designated, this exclusion is triggered, even if no bonds have been sold.**
- Q2: Is the investment deduction limited to manufacturing and research and development equipment?
A: **No. IC 6-1.1-12.4-3 provides that the deduction applies to all personal property except inventory. The definition of personal property contained in 50 IAC 4.2-5-1 is incorporated by reference. Personal property includes computers, fixtures and furniture and business equipment.**

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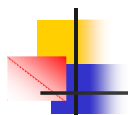


Investment Deductions and Abatements

- Q3: How is the \$2M annual assessed value limitation for real estate and personal property determined?
A: **IC 6-1.1-12.4-2(c) limits the deduction a property owner may receive in a particular county to not greater than \$2M in assessed value annually. For purposes of this limitation, the \$2M is the maximum deduction that may be received by a single property owner in a county, regardless of the number of parcels of real estate owned by the property owner in that county. Stated differently, each parcel of real estate does not have its own \$2M limitation. Personal property has a separate \$2M assessed value limitation.**
- Q4: Do improvements to real estate and purchases of personal property by farmers qualify?
A: **Yes—provided, however, that only improvements to real estate that results in an increase in assessed value and create or retain employment qualify. Purchases of agricultural land only do not qualify. Personal property other than inventory, as defined in 50 IAC 4.2-5-1, qualifies.**

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Investment Deductions and Abatements

- Q5: Can a taxpayer receive both the traditional tax abatement and the capital investment deduction?
A: **No. IC 6-1.1-12.4-5 provides that a property that qualifies for the capital investment deduction may not receive a deduction under another provision of Indiana Code for that taxable year. Stated another way, the property owner has a choice, to pursue a traditional tax abatement (or other deduction) OR the capital investment deduction, but cannot receive both on the same property. However, property not receiving abatement but located on the same parcel as abatable property, may receive the investment deduction.**
- Q6: Will the deduction be listed separately on the tax statement?
A: **Counties may choose to list the deduction separately on the tax statement sent to property owners—although there is no statutory requirement that they do so.**

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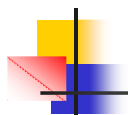


Investment Deductions and Abatements

- Q7: Are any businesses excluded from receiving the capital investment deduction?
A: Yes. IC 6-1.1-12.4-2(h) provides that the deduction does not apply to a facility listed in IC 6-1.1-12.1. Those facilities include golf courses, country and tennis clubs, massage parlors, racetracks, restaurants, automobile dealerships, other retail establishments, residential property and package liquor stores.
- Q8: What type of notice will the property owner file to claim the capital investment deduction for real estate?
A: The property owner will file a RPID-1, a form that can be found at your local assessor's office or on the Department's website at: <http://www.in.gov/icpr/webfile/formsdiv/52504.pdf>.
- Q9: What type of notice will the property owner file to claim the capital investment deduction for personal property?
A: The property owner will file a PPID-1 with their annual personal property return. The form can be found at your local assessor's office or on the Department's website at: <http://www.in.gov/icpr/webfile/formsdiv/52502.pdf>.

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Investment Deductions and Abatements

- Q10: Does the capital investment deduction apply to apartment complexes?
A: IC 6-1.1-12.4-2(h) provides that the deduction does not apply to residential property unless:
(A) the facility is a multifamily facility that contains at least twenty percent (20%) of the units available for use by low and moderate income individuals;
(B) the facility is located in an economic development target area established under IC 6-1.1-12.1-7; or
(C) the area is designated as a residentially distressed area.
Apartment complexes may qualify if they meet the qualifications described above; however, IC 6-1.1-12.4-5 provides that an owner that qualifies for the capital investment deduction may not receive a deduction under another provision of Indiana Code for that taxable year.
- Q11: How will the retention or creation of employment be determined by the assessor? Will this information be placed on the form as a guide from year to year?
A: Compliance with the retention or creation of employment is assumed to have occurred with the signature of the taxpayer below the certification on the application form. If a local official (township assessor, county assessor, or county auditor) feels this has not occurred, there is a provision for them to challenge this as outlined in the statute.

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Investment Deductions and Abatements

- Q12: The issue of a (capital or operators) lease is not addressed in the rule or in the code. Will this be addressed?
A: Whoever files the return and is responsible for payment of the property taxes on the equipment is eligible to apply for the investment deduction.
- Q13: Would a leasing company, which is responsible for payment of the property taxes, be eligible for the investment deduction even though the property is located at a country club?
A: The deduction under this section does not apply to personal property at a facility listed in IC 6-1.1-12.1-3(e). That means that for this deduction only (not exemptions), personal property located at one of the excluded facilities does not qualify. There is nothing in the code citation excepting leased property.
- Q14: If a taxpayer is in a Real Estate only T.I.F. district, could they get the Personal Property Investment Deduction? Conversely, there is a T.I.F. district that is established solely for Personal Property. Could the taxpayer get the Real Property Investment Deduction?
A: Regardless of the purpose(s) the T.I.F. district was established, per IC 6-1.1-12.4 the property owner may not receive a deduction with respect to real or personal property located in an allocation area.

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Investment Deductions and Abatements

- Q15: There seems to be a lot of confusion with the Investment Deduction for companies who provide a combination of service & retail. The Form PPID-1, Instruction 9 (k.) uses the phrase "primary purpose." If 51% of a company's income is derived from retail sales and 49% comes from the services rendered, would they be considered a retailer and not qualify?
A: "Other retail" is not defined in the code or regulations. The local officials should apply the same interpretation that they have used for abatements. If they have not made such an interpretation in the past, they need to use their best judgment and make a decision. The 50/50 test may be one appropriate way to view mixed industries.
- Q16: If a taxpayer fails to claim his PPID deduction for 2006, will he be permitted to claim the equipment next year at the year 2 - 50% deduction level?
A: Yes
- Q17: Does the true tax value of investment in year 2 follow the Form 103. Example: PPID for this year would be the cost x 40% x 75%, assuming the total assets are above the 30% floor. Next year would we calculate the year 2 at the cost x 56% x 50%?
A: Yes

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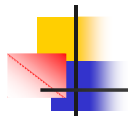


Investment Deductions and Abatements

- Q18: Who is responsible for reporting the Investment Deduction amount from the PPID – the Township Assessor or the County Auditor?
A: Per IC 6-1.1-12.4-3 (e) & (f) – it is the Township Assessor's responsibility to identify and report to the County Auditor the Investment Deduction amount, as well as an Economic Revitalization abatement (Form 103-ERA) deduction. It is the County Auditor's responsibility to make the deductions. It is up to the local jurisdiction how they wish to handle the reporting of the investment deduction and/or the Economic Revitalization abatement amounts; however, the Township Assessor should report the pertinent information necessary for the tax duplicate, including the taxpayer name, parcel or identification number, property location, and the amount of the deduction(s). The amount(s) to be reported include: 1. the Gross Assessed Value; 2. the abatement amount (Form 103-ERA); 3. the PPID amount. The information can be transmitted either in an electronic format, such as an Excel spreadsheet, or manually.

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Investment Deductions and Abatements

- Q19: Taxpayer A owns a tractor and uses it in Indiana. In 2006, he sells it to Taxpayer B. Taxpayer B has never before used the tractor in Indiana prior to the purchase. As long as Taxpayer B's purchase of the tractor creates or retains employment, would Taxpayer B be entitled to the deduction?
A: Per IC 6-1.1-12.4-3 (b), yes they would be entitled to the deduction.
- Q20: Can a farmer put up grain bins and other outbuildings and receive this deduction?
A: If the new construction creates or retains jobs he can receive the deduction. (See Question #4)
- Q21: Can a company set up two or three leasing companies so that each leasing company can have their own \$2 million limit? What about a corporation that sets up multiple subsidiaries?
A: The deduction will be processed based on Personal Property returns and RPID forms. If a company has three subsidiaries and they each file a separate Personal Property return, then it is possible they could get three separate \$2M deductions.

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Investment Deductions and Abatements

- Q22: Who has the authority to challenge a company concerning the retaining of jobs? For example, if a company is laying people off while they are buying new equipment, can the assessor deny their deduction?
A: Under IC 6-1.1-12.4-6, a county assessor, township assessor, or county auditor may review whether the investment creates or retains jobs. IC 6-1.1-12.4-7 through -10 set forth the procedure, including a hearing and certain notices that must be given. (See Question #11)
- Q23: Can a taxpayer claim the Personal Property Investment Deduction on an amended return? Do they have to file an amended return or can they just file the PPID form?
A: Yes, a taxpayer may claim the PPID on a timely filed amended personal property return. A taxpayer can also change the amount of the investment deduction they are requesting by filing a timely amended personal property return. The taxpayer should file both an amended return and the PPID form since the personal property return will be amended to reflect the deduction.

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Investment Deductions and Abatements

- Q24: Can maintenance type items qualify for the investment deduction?
A: The bottom-line answer is always look and see how they are treating the asset/property for federal tax purposes. If they are treating it as an expense (i.e. maintenance), then it probably would not be assessable as depreciable personal property. If, however, it is an enhancement (i.e. it adds value to the current asset), then they should probably treat it as depreciable personal property (it might be difficult to allocate or separate the two amounts).
- Q25: Would the 30% floor and the Minimum Value Ratio be applicable to the Personal Property Investment Deduction?
A: Yes, the Investment Deduction (IC 6-1.1-12.4) cross-references to the calculations in IC 6-1.1-12.1 so the 30% floor and the Minimum Value Ratio is applicable to the PPID-1.

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Investment Deductions and Abatements

- Q26: What amount does the taxpayer report in Section 2 of the form, and what if the taxpayer completes Section 3?
A: In Section 2 of the PPID form, the taxpayer reports the total cost of the personal property investment as shown in the "Adjusted Cost" column of Schedule A of their return (see Question #25 if applicable). For the Real Property deduction, the taxpayer reports the total cost of the investment, including all hard and soft costs in Section 2. Section 3 is to be completed by the assessing official. If the taxpayer completes Section 3, the assessing official should verify the calculation. If the assessor changes the calculation, they should report the corrected amount and place their initials next to it.
- Q27: Should the Form 104 reflect the gross assessed value or the net assessed value?
A: The Form 104 should reflect the "Final" assessed value, meaning the assessed value after the investment deduction, abatement (if applicable), and the 100% Inventory Deduction are deducted. The assessing official should report to the Auditor's office the gross assessed value and the amount(s) of the deduction(s) by taxpayer either electronically or in paper format (see Question #18).

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Investment Deductions and Abatements

- Q28: Does the taxpayer have to report the investment deduction each year on the Real Property Investment Deduction form?
A: The property owner must claim the deduction on the RPID form each year the deduction is claimed. The assessor may want to establish a "tickler" file to ensure the deduction is calculated for the remaining two (2) years.
- Q29: What if the real property assessed value changes as a result of either annual adjustments or an appeal?
A: If the amount of the assessed value is adjusted, the amount of the investment deduction shall be adjusted by the assessor to reflect the percentage change in assessed value.
- Q30: A company in our county has multiple locations. If a company meets or exceeds the \$2 million investment deduction for personal property in a county, who determines how the deduction amount will be allocated?
A: The Auditor would be responsible for allocating the deduction, and it should be allocated consistent with where the property is located.

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Investment Deductions and Abatements

- Q31: What is the definition of a “multifamily” facility for the real property deduction? Is it two (2) units or four (4) or more units?
A: Although multifamily is not specifically defined in the rule, it can be implied that it refers to an apartment complex and not a duplex; hence, four or more units would be a natural place to start (see Question #10).
- Q32: A taxpayer builds a single or multi-tenant commercial or industrial building which they will not occupy but plan to lease. Is the property eligible for the RPID?
A: Because the tenants that move into the property would create or retain employment, the taxpayer would be eligible for the investment deduction. The jobs created do not necessarily have to be employees of the property owner.

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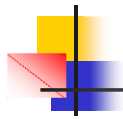


Investment Deductions and Abatements

- Q33: One of the requirements for obtaining the investment deduction is that there will be an increase in assessed value. Is the increase for the total assessed value or just on the investment?
A: Per IC 6-1.1-12.4-3, it would be determined in the same manner that an increase in the assessed value of new manufacturing equipment is determined. Therefore, it would be based on the purchase of the personal property and not the overall assessed value.
- Q34: The deduction is not available to property in an allocation area. Is an allocation area the same as a TIF district?
A. A TIF district is one type of an allocation area. The others include: Airport Development Zones (defined in IC 8-22-3.5); Redevelopment Areas designated by the Redevelopment Commission (defined in IC 36-7-14); Redevelopment Areas designated by the Redevelopment Authority (defined in IC 36-7-14.5); Marion County redevelopment areas designated by the Metropolitan Development Commission (defined in IC 36-7-15.1); Military Base Reuse Areas (defined in IC 36-7-30); and other allocation areas defined by law.

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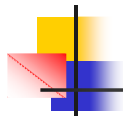
Investment Deductions and Abatements

Economic Revitalization Areas (ERA) – Abatements

- Indiana Code 6-1.1-12.1-5.4 gives authority for approval of the ERA Personal Property Abatements to the Township or County Assessor.
- This is now done by an abatement Form 103-ERA, which is an attachment to the 103 Long Form.
- A person that desires to obtain the deduction must file a certified deduction schedule with the person's personal property return on a form prescribed by the department of local government finance with the township assessor of the township in which the new equipment is located.

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Investment Deductions and Abatements

- The Personal Property Abatement Manual is to be used as a guide in conjunction with the Indiana Code and Indiana Administrative Code.
- Personal property abatement
 - A property tax deduction from assessed valuation granted by a designating body for the installation of new abatable equipment in an ERA.
- Economic Revitalization Area (ERA)
 - An area that is within the corporate limits of a city, town, or county that has become undesirable for, or impossible of, normal development and occupancy.
- Assessment Year
 - From March 2nd to March 1st of a year.
 - The 2007 assessment year is the 2007 pay 2008 year.

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Investment Deductions and Abatements

- Designating body
 - Also called a “governing body”.
 - For a county without a consolidated city, the designating body is the fiscal body of the city, county, or town. For a consolidated city, the designating body is the metropolitan redevelopment commission.
- Designating body can designate an ERA on its own or upon application of a property owner.
- If designating body works on its own, no Statement of Benefits (SB-1/PP) is necessary for a preliminary designation.
- If property owner asks for an ERA designation, supplies Form SB-1/PP.

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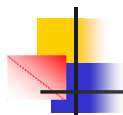


Investment Deductions and Abatements

- Designating body makes a determination.
 - Prepares maps and plats that identify the area.
 - Prepares a simplified description of property boundaries.
 - Passes a preliminary resolution.
- After approving a preliminary resolution, designating body publishes a notice of adoption and substance of resolution.
- The designating bodies’ final action is to determine whether the qualifications for an ERA are met and confirm, modify, or rescind the preliminary resolution.
- The totality of benefits must justify the deduction.

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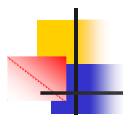
Investment Deductions and Abatements

Timetable

- Receipt of application by May 15th or extended due date.
- Township Assessor has until September 15th or 4 months from the extension date to review application.
- PTABOA has until October 30th or 5 months to review.
- Taxpayer has until November 15th or 6 months from the extended due date to amend the return.
- The assessing official may review the deduction schedule and have until the next March 1st to deny or alter.
- However, our recommendation is to use the four and five month deadlines as waiting until March 1st could cause problems with tax rates and shortfalls.

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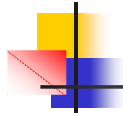
- If the assessing official fails to change an assessment within the time prescribed, the assessed value claimed by the taxpayer is final.

Amended Returns

- Filed by Taxpayer
- Taxpayer files an amended return by writing **AMENDED** on the top of the original return.
- The Township Assessor has four months to review and change the assessment.
- Filed within six months of filing date.
- November 15th if no extension is granted.
- Up to December 14th if an extension is granted.

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Investment Deductions and Abatements

Form 103-ERA

- Schedule of Deduction from Assessed Valuation
- Required to be filed **each** year a deduction is desired even if no new abatable equipment is installed in that assessment year. Form must be filed with the Township Assessor in which the abatable equipment resides by the filing date.

Statement of Benefits – Personal Property (Form SB-1/PP)

- The form on which the property owner submits information regarding the installation of new manufacturing, research and development, logistical distribution, or information technology equipment to the designating body.
- This form may be incorporated into the designation application.

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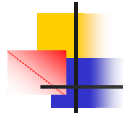


Investment Deductions and Abatements

- Verify the length of the ERA designation.
- Note if there is a limit on the amount of the abatement.
 - A limit is set by the designating body.
 - It is a cap on the amount of qualifying abatable equipment the taxpayer can install and still receive a deduction from assessed value.
- One form is filed for each project or improvement. One taxpayer could have multiple Form SB-1/PP's, and could cover several assessment dates.
- The taxpayer must submit an approved copy of Form SB-1/PP.
 - Page 1 is signed by the taxpayer.
 - Page 2 is completed by the designating body.

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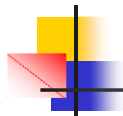
Investment Deductions and Abatements

Compliance with Statement of Benefits (Form CF-1/PP)

- Form CF-1/PP must be filed with the designating body and the assessor of the township where the equipment resides each year a personal property abatement deduction is requested.
- Must be filed between March 1st and May 15th or the approved extension date as granted by the township trustee/assessor.
- Compliance information for multiple projects may be consolidated on one Form CF-1/PP with approval of the designating body.
- The taxpayer submits an approved copy of Form CF-1/PP.
 - Page 1 is signed by taxpayer.
 - Page 2 is completed by the designating body.

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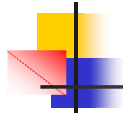
Investment Deductions and Abatements

Resolution

- According to IC 6-1.1-12.1-2.5 the resolution declares an area as an economic revitalization area.
- The resolution specifies the abatement schedule.
- The resolution could contain an expiration date when the designation ceases to exist.
- Determine the expiration date of the ERA designation, if any.
 - The designation is the window of opportunity in which a company can install new abatable equipment.

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Investment Deductions and Abatements

Resolution con't.

- Establish the abatement schedule, including the number of years (1 through 10) for the deduction.
 - The abatement schedule is the number of years in which there is a deduction from assessed value.
- Depending on when Form SB-1/PP was approved, the schedule could be anywhere between 1 and 10 years.

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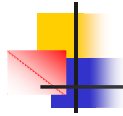
Investment Deductions and Abatements

Equipment List (Form 103 EL)

- The list should be itemized and contain installation dates and cost.
- An equipment list is only needed for equipment installed since the last assessment date.
- Verify if all of the equipment listed qualifies for a personal property abatement.
- Deduct any questionable or non-qualifying equipment from the list.
- Any changes to the assessment require notification to the taxpayer on a Form 113/PP.

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Investment Deductions and Abatements

Confidentiality

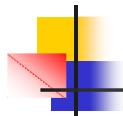
- All assessing officials, employees, and anyone under contract to any assessing official are subject to Indiana Code 6-1.1-35-9.
- Any supplemental information or forms attached to Form 103-Long that support the return are subject to same confidential standard as that for Form 103-Long.

Maintenance of Records

- County Auditor shall make abatement records available to the Assessing Official no later than March 1, 2006.
- The Assessing Official is responsible for the maintenance of the abatement records.

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Investment Deductions and Abatements

Verification

- Township assessor shall examine and verify the accuracy of personal property tax returns.
- The Assessor may approve, deny or alter the amount of the deduction.
- The Assessor shall notify the taxpayer of any changes made in the deduction amount.

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Investment Deductions and Abatements

Incomplete Filing

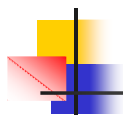
- What if the filing is not complete? For example what if the Statement of Benefits is missing.
- The Assessor can send a request for information giving 10 days to provide it or the assessor can deny the claim and send a Form 113.

Late Filing

- IC 6-1.1-12.1-5.4: States the taxpayer must file a certified deduction schedule with a timely personal property return if they wish to receive an abatement.

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Investment Deductions and Abatements

Waiver of Noncompliance

- If the designating body wishes to waive non-compliance they shall conduct a public hearing and then may adopt a resolution.

Real versus Personal Property

- Regulation 16, Rule 4" – Section 10
 - (50 IAC 5.2-4-10)
- "2002 Real Property Guidelines"
 - Chapter 1, Table 1-1

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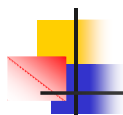
Investment Deductions and Abatements

50 IAC 10-1-3

- "New Manufacturing Equipment" defined
 - (a) "New manufacturing equipment" has the meaning set forth in IC 6-1.1-12.1-1(3). In order to be new manufacturing equipment, personal property must be qualified machinery and equipment as defined in section 6 of this rule.
 - (b) New manufacturing equipment includes new equipment and used equipment brought into Indiana from outside of Indiana.

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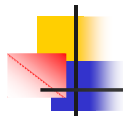
Investment Deductions and Abatements

50 IAC 10-1-2

- "Installed" defined
 - Section 2(a) "Installed" means that personal property:
 - (1) has been completely assembled;
 - (2) is completely functional for the purpose for which it was acquired; and
 - (3) is placed in service.
 - Section 2(b):
 - When different pieces of personal property that are linked together as part of an integrated production process, personal property will not be considered installed until the integrated production process is completely functional and is placed in service.

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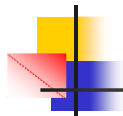
Investment Deductions and Abatements

50 IAC 10-1-6

- "Qualified machinery and equipment" defined
 - Section 6(a):
 - Direct Production of
 - Manufacturing of
 - Fabricating of
 - Assembly of
 - Extracting of
 - Mining of
 - Processing of
 - Refining of
 - Finishing of other tangible personal property

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Investment Deductions and Abatements

50 IAC 10-1-6 con't.

- Personal property will be qualifying machinery and equipment when it is used within the process that chronologically begins with:
- Material handling that carries the raw material from its on-site storage location to the first production step.
- Ends with the material handling equipment that carries or moves the finished product from its final machine or production step to the in-plant finished good storage site.
 - Example: Fork Lift moves material from the production line to the finished goods warehouse.

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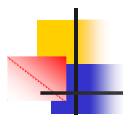
Investment Deductions and Abatements

Qualifying/Abatable Equipment

- A) Manufacturing
- B) Research & Development
- C) Information Technology
- D) Logistical Distribution
- Manufacturing Equipment including all installation costs such as foundations, water lines, power wiring, and air lines.

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Investment Deductions and Abatements

Other Assets that are NOT Abatable Manufacturing Equipment

- Company car
- Office equipment
- Shipping equipment
- Building wiring
- Shipping containers

Form UD-ERA

- Utilities will file Utility Distributable Property on an Economic Revitalization Area Form (Form UD-ERA).

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Investment Deductions and Abatements

Sample Application

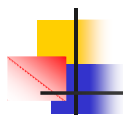
- Square Peg Corporation installed the following:
 - 12/14/2003 200-ton press - \$15,000 cost
 - 01/31/2007 cardboard box manufacturing machine - \$87,463 cost
- The sample shown here will first calculate the deduction for the equipment installed in 2007 and then for the equipment installed in 2003.
- There could be many variations of this sample.

Step 1

- Verify the cost claimed on the 103-ERA against the cost on the 103-Long's pooling schedule.

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Investment Deductions and Abatements

Step 2

- Verify to see if the correct True Tax Value (TTV) percentage has been used on the Form 103-ERA.
- This should be the same percentage that was used to calculate the assessed value on the 103-Long per IC 6-1.1-12.1-4.5 d

Step 3

- Verify newly installed abatement equipment since the last assessment date.
- This includes the
 - Resolutions
 - SB-1's
 - CF-1's
 - Review Equipment List (Form 103 EL)

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Investment Deductions and Abatements

Step 4

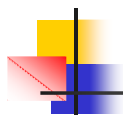
- Verify the prior year abatements
- Compare the 103-ERA against the cost on the 103-Long's pooling schedule.

Step 5

- Verify to see if the correct percentage has been used on the Form 103-ERA, for the prior year abatements.
- If desired, review the past abatement records (Form 322ERA/PP) to determine the deductions granted from the prior assessment years.
- The total assessed value before deductions be will reported to the County Auditor.

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Investment Deductions and Abatements

Publication of abatement deductions

- According to IC 6-1.1-12.1-8, by December 31st all personal property abatement deductions shall be published by the county auditor.
- Publication shall be "in a newspaper of general interest and readership and not limited by subject matter".
- Information must be filed by December 31st with the DLGF.

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Investment Deductions and Abatements

- Published list shall include the following:
 - Name and address of each taxpayer approved for or receiving a deduction in the current year
 - Amount of each deduction filed for
 - Number of years for which each deduction will be available
 - Total amount of all personal property deductions in effect during the current year
- The Township or County Assessor should provide this information to the county auditor so that he/she can meet this requirement.

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Investment Deductions and Abatements

Abatement Fee

- Authority to impose fee given to any designating body within the State of Indiana who has the power to grant an abatement.
- The amount of the fee is set by the designating body and the property owner.
- The fee is calculated by the County Auditor and paid to the County Treasurer.

Questions

- Department of Local Government Finance
- (317) 232-3777
- www.in.gov/dlgf/

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